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The Impacts of National Cultures on Customer Relational Benefit – Loyalty Link: A Study of the Chinese Community

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I. Introduction

Developing and maintaining enduring relationships with customers have been becoming a major business emphasis over the past few years. Most of previous studies focused on the benefits of establishing long-term customer relationship for the firms, but the maintenance of successful relationships would be affected by the benefits received by the customers too. Marketing literature suggested that various types of customer relational benefits (CRB) exist, and the fulfillment of these benefits predicts the future development of the existing relationships (Bendapudi and Berry, 1997; Gwinner, Gremler, and Bitner, 1998; Reynolds and Beatty, 1999). The research by Gwinner et al. (1998) represents the most extensive study of CRB, which suggested that CRB should encompass three factors: confidence, social and special treatment benefits. Recently, Hennig-Thurau et al. (2000) proposed that consumers would stay in a relationship with a service provider that is capable of adding meaning to their self-concept, and the relational benefits is named as identity-related benefits.

Until now, academic research on CRB has been conducted almost exclusively with North American consumers with few exceptions. Pattern and Smith (2000; 2001) replicated the study of Gwinner et al. (1998) in Asia and found that people from Thai considered special treatment benefits as a benefit more important than their American counterparts. Because the nature and development of relationships is highly culturally dependent, the reliance on U.S.-based research has left a large gap in our understanding of CRB in different cultures. Abundant of studies have evidenced the influence of cross-culture difference on service quality perceptions. For example, several studies discovered that service quality dimensions are affected by cultural factors (Winsted, 1997; Mattila, 1999; Liu et al., 2001; Furrer et al., 2000). Also, consumers' expectation of service quality varied as a function of four Hofstede's (1991) cultural dimensions (Donthu and Yoo, 1998). Although these studies did not address the cross-cultural issues of relational benefits, the close bonding between service quality and relationship marketing would imply the possible influence of cultural factors on the link between CRB and customer loyalty.

While most studies tend to treat consumers within countries as homogeneous and to segment the market based on clustering countries, literature also calls for the needs to consider the difference within countries and similarities across countries for international segmentation (Kale and Sudharshan, 1987). In accordance with this argument, Furrer et al. (2000) found significant correlations between SERVQUAL dimensions and Hofstede's (1991) cultural dimensions while cultural inclination was measured at the individual level. The approach to consider the cultural heterogeneity with nations or clustering countries should become more prominent as Internet and other communication medium have expedited the exchange of cultures globally. This might be particularly true for the Chinese community (i.e., Hong Kong, China, Taiwan) that has experienced a lot of economic transformation and a great deal of influences from Western cultures. However, it is also noticeable that some people in the community are more receptive to the influence of western culture while others are affected to a lesser degree.

II. Research Purpose

The current study aims to investigate the influences of cross-cultural influences on CRB-loyalty link in the Chinese community. Specifically, this study explores whether the importance of CRB on loyalty is a function of the individual's inclination on Hofstede's cultural dimensions in two different regions of the community. As service providers increasingly expand their operations into Asia countries, developing a thorough understanding of the relational benefits that consumers desire in Asia cultures will be of growing importance.

III. Research Method

College and graduate students are the primary data collectors for the current study. They were recruited from two universities in Shanghai, China and Taiwan, and they have distributed the survey to their friends, families, and colleagues. This has been a successful technique for data collection in previous studies (e.g., Gwinner et al., 1998; Hennig-Thurau et al., 2002). The final sample consists of 942 (471 from eastern China and 471 from Taiwan) usable cases. The subjects were asked to answer questions assessing customer relational benefits based on their prior experiences with a service provider. The questionnaire also measured the respondent's inclination on the four Hofstede's cultural

dimensions.

IV. Analyses and Results

Exploratory factor analyses on the data revealed four factors for Hofstede cultural measures and four CRB factors (confidence, social, special treatment, and identity), which is consistent with the proposed constructs of two sets of variables. Independent sample t-tests were first performed on the major variables. Compared with eastern China, respondents from Taiwan reported a higher level of social, confidence, and identify benefits. Taiwan respondents also scored significantly higher on "uncertainty avoidance", and significantly lower on individualism and masculinity. Multiple regression analysis was then conducted to test the influence of the four CRB factors on customer loyalty to the service provider in the two regions. In both regions, confidence and identify benefits are the strongest predictors of loyalty ($\text{Beta's} \geq .354, p < .001$). However, the regression analysis revealed a different third predictor of customer loyalty for each region. For respondent in eastern China, special treatment benefit is the third predictor of their loyalty to the service provider, while social benefits is the other significant predictor of loyalty in Taiwan. In order to compare the results with the findings from Gwinner et al. (1998), another regression analysis was performed without including the new CRB, identity-related benefits. The findings are similar to the study with American subjects, with confidence benefits as the most important predictor of customer loyalty.

In order to explore the relationship between cultural influence and CRB, the current study applied two step clustering analysis to group the respondents from the two regions. The hierarchical clustering analysis suggested that the three-cluster solution has the best fit with the data. K-means clustering analysis was then performed to group the respondents into three clusters. Cluster 1 is characterized as highly collective, high uncertainty avoidance, high power distance and high masculine, which match the stereotype of traditional Chinese. Cluster 2 is consisted of respondents score relatively lower on the four Hofstede's cultural dimensions, and can be conceptualized as modern Chinese. The third cluster is made of respondent similar to cluster 2 but with higher emphasis on achievement and individualism.

A series of regression analyses was performed for each cluster to test the effects of CRB on customer loyalty. The analyses showed that "confidence" and "identity-related" benefits are significant predictors of customer loyalty in all three clusters (all $\text{Beta's} \geq .265, P < .001$). For cluster 1 that is comprised of traditional Chinese, social benefits is another significant predictor of loyalty ($\text{Beta} = .106, p < .05$). Special treatment benefit is the other significant predictor of loyalty for cluster 2 ($\text{Beta} = .120, p < .05$), while no additional significant predictor was found for cluster 3.

V. Conclusion

The findings from the current study provide further support to the presence of heterogeneous culture in Chinese community. Quanxi has been a dominant concept in Chinese society, and the significance of social benefits in cluster 1 suggests that "relationship" itself is still a key determinant of loyalty for traditional Chinese. On the other hand, for Chinese consumers that have been affected by the modernization in recent decades may also look for economic and additional services as the benefits of staying in a relationship with a service provider. And that's why special treatment benefits emerged in cluster 2. The results offer important implications for marketing services and implementing CRM programs in the Chinese market and confirm the argument that consumers in the same cultural context may exhibit heterogeneous cultural patterns.

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